



Mechanical Licensing Collective Cash Management Policy Statement

OVERVIEW

The Mechanical Licensing Collective (“The MLC”) is a nonprofit trade organization designated by the U.S. Register of Copyrights pursuant to the Music Modernization Act of 2018 (“MMA”). The MLC is tasked with administering the MMA’s blanket license for the use of musical works in certain streaming and download music services (“Blanket License”), including the collection and distribution of royalties payable pursuant to the license. The Blanket License became available on January 1, 2021 to eligible digital music providers (“DSPs”) in the United States.

This cash management policy statement covers The MLC’s management of all royalty funds other than Unmatched Royalty Funds as defined in The MLC’s Investment Policy Statement (“Royalties Pending Distribution”), and establishes parameters to ensure that investments minimize risk to the maximum extent possible to protect the value of the funds from volatility or risk of loss given the need for liquidity and capital preservation.

The Board of Directors of The MLC (the “Board”) has developed this policy statement to fulfill the following objectives:

- To establish a cash management strategy with a high likelihood of meeting The MLC’s objectives for the cash management of Royalties Pending Distribution;
- To clearly and explicitly establish the parameters that govern the cash management of the Royalties Pending Distribution;
- To limit investment costs;
- To clarify and ensure that Royalties Pending Distribution shall not be commingled with The MLC’s operational funds; and
- To protect the interests of The MLC’s stakeholders through the implementation of a stable cash management policy.

CASH MANAGEMENT ADVISORS

The MLC may retain one or more fee-based cash management advisors or consultants (“Advisors”). Advisors must be independent, institutional investment advisors paid fixed fees instead of commissions. Paying Advisors based on a fixed fee means that such Advisors have no financial interest in cash management strategies or decisions. Advisors may also help The MLC to:

1. Advise and assist The MLC in the execution of its duties and responsibilities under the MMA
2. Develop and maintain cash management policies, as applicable, asset allocation strategies, and appropriate investment management structures;
3. Select, monitor, and evaluate investment advisors and/or investment entities;
4. Provide and/or review performance measurement reports and assist The MLC in interpreting the results;
5. Determine suitable investment products for The MLC's Royalties Pending Distribution and evaluate a broad universe of very high-quality cash equivalent strategy(ies); and
6. Execute such other duties as may be mutually agreed.

When evaluating investment strategies, The MLC and its Advisors are to consider the above objectives and recommend appropriate investment strategies and investment vehicles in alignment with the requirements of the MMA and those objectives.

When evaluating cash management decisions, Advisors must determine the most risk adverse solution to place funds to protect and preserve capital while considering the need for liquidity.

For the avoidance of doubt, funds should not be placed in investments that would be classified as having heightened or high risk. The MLC may retain independent custodians, administrators, or other investment service providers to ensure the proper management of the Royalties Pending Distribution.

CASH MANAGEMENT PRINCIPLES AND PRACTICES

The MLC's cash management decisions shall follow principles and practices to safeguard the integrity of the funds, including but not limited to:

Anti-Commingling of Funds: Royalties Pending Distribution shall not be commingled with The MLC's own operational funds. Royalty accounts must be maintained separately to ensure clear separation and transparency in financial reporting and auditing processes.

Independent Cash Management Decisions: All cash management decisions shall be guided solely by the objectives above, and shall not be influenced by the personal interests of any insider, including board members, officers, committee members, or employees ("Insiders"). At all times, Insiders shall adhere to The MLC's Conflict of Interest policy, and The MLC shall maintain procedures and practices to prevent any undue influence that could affect the impartiality and independence of investment decisions.

Gifts and Inducements: Insiders shall not accept benefits of material value, including gifts, cash, or any other forms of inducement from entities or individuals engaged in investment-related activities with The MLC or seeking to influence investment

decisions. This principle is in place to ensure investment decisions are independent, merit-based and not influenced by external incentives or rewards.

CASH MANAGEMENT STRATEGY

Cash management strategy for Royalties Pending Distribution shall be designed to protect the value of the funds from volatility or risk of loss given the need for liquidity and capital preservation. The strategy shall recognize the need to minimize, and to the extent possible, avoid investment risks to protect the value of the assets from volatility or risk of loss. The MLC holds the majority of Royalties Pending Distribution for a relatively brief period of time, until they can be processed as part of regular monthly royalty distributions. Royalties Pending Distribution should be maintained in highly liquid investments.

In light of the above factors, and in accordance with the recommendations by the Advisors, The MLC will adhere to cash management strategies that place Royalties Pending Distribution in (1) high-quality cash equivalent strategies via money market funds managed by reputable, experienced institutional investment firms that have been diligently vetted and/or (2) in FDIC insured bank deposit accounts with reasonable levels of insurance for the funds placed.

ONGOING ASSESSMENT AND REPORTING

The MLC shall meet regularly with its Advisors to review all aspects of The MLC's cash management of Royalties Pending Distribution. Reviews shall include manager and investment entity performance, anticipated additions to or withdrawals from funds, potential future cash management strategies, and other relevant or applicable matters. The MLC shall regularly monitor the cash management strategy and the performance of its investments to ensure they continue to align with this cash management policy. The MLC will regularly update the Board on the status of investments.